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DEPARTMENT OF STATE
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U.S. DEPARTMENT OF STATE

FY 2013 Fiscal Transparency Report Pursuant to Section 7031(B) of the Department of State, Foreign Operations and Related Programs Appropriations Act, 2012 (Div. I, P. L. 112-74), as Carried Forward by the Full-Year Continuing Appropriations Act, 2013 (Div. F, P.L. 113-6)

2013 Fiscal Transparency Report

AGENCY: Department of State

ACTION: Notice

SUMMARY: The Department of State hereby presents the findings from the FY 2013 fiscal transparency review process in its second annual Fiscal Transparency Report. This report describes the minimum standards of fiscal transparency developed by the Department of State, identifies countries that did not meet these standards, and indicates whether those countries made progress towards meeting these standards.

Fiscal Transparency

Fiscal transparency is a critical element of effective public financial management, helps in building market confidence, and sets the stage for economic sustainability. Transparency also provides a window into government budgets for citizens of any country, helping them to hold their leadership accountable. The International Monetary Fund (IMF) defines fiscal transparency as “the clarity, reliability, frequency, timeliness, and relevance of public fiscal reporting and the openness to the public of the government’s fiscal policy-making process.”

Annual reviews of the fiscal transparency of countries that receive U.S. assistance via their central governments help to ensure that U.S. taxpayer money is used appropriately and to sustain a dialogue with governments to improve their fiscal performance, leading to greater macroeconomic stability and better development outcomes.

Section 7031(b)(1) of the Department of State, Foreign Operations, and Related Programs Appropriations Act, 2012 (Div. I, P.L. 112-74) (SFOAA), as carried forward by the Full-Year Continuing Appropriations Act, 2013 (Div. F, P.L. 113-6) (CR), restricts U.S. assistance to the central government of any country that does not meet the Department's minimum standards of fiscal transparency, unless the Secretary of State, or his designee, determines that a waiver is important to the U.S. national interest. The Deputy Secretary of State made those determinations for FY2013. For countries that did not meet the minimum standards, the Deputy Secretary also determined whether those governments made progress toward meeting those standards.

This report describes the minimum standards of fiscal transparency developed by the Department of State, identifies the countries that did not meet the standard, and indicates whether those countries made progress toward meeting the standard.

Fiscal Transparency Review Process

In FY 2013, the Department of State assessed fiscal transparency in 49 countries that were potential beneficiaries of FY 2013 foreign assistance funds via their central governments, determined whether the minimum standards were met, and identified measures those countries had implemented to make progress towards meeting the standards. Progress on fiscal transparency can mean publishing adequate budget documents, adopting more robust accounting procedures to verify expenditures, or other measures to improve public financial management.

The Department considered information from U.S. embassies and consulates, international organizations such as the IMF and multilateral development banks, and from civil society organizations. U.S. diplomatic missions engaged with foreign government officials, nongovernmental organizations (NGOs), international organizations, and civil society to obtain information for these assessments.

When a country does not meet the minimum standards of fiscal transparency, U.S. diplomatic missions, with input and assistance from USAID, develop and implement action plans to work with governments, international organizations, and NGOs to improve the availability, reliability, and content of a country's budget documents. Such plans present short and long-term actions that the foreign government can take, often with assistance from multilateral institutions such as the World Bank and IMF, to improve budget transparency.

Examples of actions from previous plans include implementing a financial management system to assist in improving internal controls; approving freedom of information legislation; funding NGOs to provide training on budget oversight; and coordinating with international organizations to monitor budget transparency issues.

Minimum Standards of Fiscal Transparency

The SFOAA, as carried forward by the CR, provides that the minimum standards of fiscal transparency developed by the Department shall include standards for the public disclosure of budget documentation, including:

- Receipts and expenditures by ministry
- Government contracts and licenses for natural resource extraction, to include bidding and concession allocation practices

The FY 2013 fiscal transparency review process evaluated whether the central governments of countries receiving U.S. foreign assistance publicly disclosed budget documents including receipts and expenditures by ministry. The review also assessed the existence and public disclosure of standards for government contracts and licenses for natural resource extraction, including bidding and concession allocation practices. In addition, to meet the minimum standards of fiscal transparency, budget data generally should be:

- **Substantially Complete:** Budget documents should provide a substantially full picture of a country's revenue streams, including natural resource revenues, and planned expenditures. Therefore, a published budget that does not include significant cash or non-cash resources, including foreign aid or the balances of special accounts or off-budget accounts, would not be considered transparent. Budget documents also should disclose, in some fashion, financial results of state-owned enterprises. The review process recognizes that military and/or intelligence budgets are often not publicly available for national security reasons.
- **Reliable:** Budget documents and related data are considered reliable if they are accurate and disseminated on time. Actual receipts and expenditures should be reasonably correlated to the budget plan, and significant departures from planned activities should be explained in supplementary budget documents and publicly disclosed in a timely manner.
- **Transparent:** Budgets fulfill the "public disclosure" criteria if they are broadly available on-line, at government offices or libraries, on request from the ministry, or for purchase at a nominal fee at a government office.

The Department recognizes that the specific circumstances and practices of fiscal transparency differ between countries. The review process takes a tailored approach in evaluating countries to make a determination of whether the central government provides an adequate level of budget detail to enable participation, monitoring, and feedback from civil society groups.

Conclusions of Review Process

In FY 2013, the Department reviewed 49 countries that were potential beneficiaries of FY 2013 U.S. foreign assistance via their central governments, assessed whether they met the Department's minimum standards of fiscal transparency and identified measures those countries had implemented to make progress towards meeting the minimum standards. The Department concluded that 34 of the 49 countries did not meet the minimum standards of fiscal transparency, and that 27 non-transparent countries made progress in meeting the minimum standards of fiscal transparency.

The following table lists the 34 countries that were found to be non-transparent and whether they made progress toward meeting the minimum standards:

Countries whose central governments received or were considered for assistance assessed to be non-transparent	Progress	No Progress
Afghanistan	X	
Algeria	X	
Burma	X	
Cambodia	X	
Cameroon	X	
Central African Republic		X
Chad	X	
Dominican Republic	X	
DRC	X	
Egypt	X	
Ethiopia	X	
Fiji	X	
Gabon		X
Gambia	X	
Guinea	X	

Countries whose central governments received or were considered for assistance assessed to be non-transparent	Progress	No Progress
Haiti	X	
Lebanon	X	
Libya	X	
Madagascar		X
Nicaragua	X	
Niger	X	
Nigeria	X	
Republic of Congo		X
Saudi Arabia	X	
Somalia	X	
South Sudan	X	
Suriname	X	
Swaziland	X	
Tajikistan	X	
Turkmenistan		X
Ukraine	X	
Uzbekistan		X
Yemen		X
Zimbabwe	X	

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